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The Monthly Report
of Legislative
Activity



A Publication of



Montana Legislative Council

FEBRUARY 1994 HELENA, MONTANA VOL. IX NO. 9

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LEGISLATOR PER DIEM -- TAX CONSIDERATIONS

This information is intended to assist legislators and their tax preparers in handling legislative per diem payments. Legislators should consult with their income tax preparers for specific requirements relating to individual circumstances.

GENERAL RULES

All legislator per diem payments made to legislators living more than 50 miles from the capitol building are reimbursements made under an accountable plan, are not taxable income of the legislator, and are not subject to withholding or reporting. The difference between the per diem paid and the amount allowed by federal law for reimbursement is treated as unreimbursed expenses and, subject to certain limitations, is allowed as a miscellaneous items deduction by the legislator.

Legislator per diem payments made to legislators who do not live in Helena but who live within 50 miles of the capitol building are not substantiated reimbursements and are thus reported as income. Withholding is made against these payments, including the state 0.2% old fund liability tax on payments made after July 1, 1993. All legislative lodging and meal expenses actually incurred by the legislator are unreimbursed expenses and, subject to certain limitations, may be a miscellaneous items deduction by the legislator.

Legislator per diem payments made to legislators who reside in Helena are reported as income and are subject to withholding, including the state 0.2% old fund liability tax on payments made after July 1, 1993. The legislator may not claim meal and lodging expenses incurred in Helena.

DISCUSSION

Accountable Plan

All legislator per diem payments made to a legislator whose home is more than 50 miles from the capitol building are employee reimbursements under an accountable plan for the following reasons:

1. IRC section 162(h) eliminates requirements for a legislator to substantiate an overnight stay.
2. The per diem payment to legislators is \$50 per legislative day. (5-2-301(3), MCA) Federal law provides one type of accountable plan for when the employee's "lodging plus meals and incidental expenses" per diem reimbursement is less than the amount computed for the federal per diem rate. (IRC section 62(a)(1)(A), 26 CFR § 1.62-2) For Helena, the applicable reimbursement rate, set forth in 41 CFR Ch. 301 App. A, is:
 - a. \$67 per day through March 11, 1993, with \$41 for lodging and \$26 for meals and incidental expenses; and
 - b. \$71 per day after March 11, 1993, with \$45 for lodging and \$26 for meals and incidental expenses.

Reimbursements paid "under an accountable plan are excluded from the employee's gross income, are not reported as wages or other compensation on the employee's Form W-2, and are exempt from the withholding and payment of employment taxes (Federal Insurance Contributions Act (FICA), Federal Unemployment Tax Act (FUTA)...)". (26 CFR § 1.62-2(c)(4); see also 26 CFR § 31.3231(e)-3(a))

Therefore, all legislators living more than 50 miles from the capitol building do not have their per diem payments reported on their W-2 Form.

Under 26 USC § 162(h)(4), the special provisions allowing use of the federal per diem rate do not apply to legislators living within 50 miles of the capitol building. Therefore, those legislators must follow the provisions of 26 USC § 274(d), must specifically substantiate all lodging and meal expenses, and cannot take advantage of unreimbursed expenses set forth below. Because 26 USC § 274(d) requires out-of-town travel before a person can claim lodging and meal expenses, a legislator who lives in Helena cannot claim any meal or travel expenses for session activities occurring within Helena.

Unreimbursed Expenses

All legislators who live more than 50 miles from the capitol building are considered to have substantiated expenses equal to \$67 a day through March 11, 1993, and \$71 a day thereafter, but they receive only \$50 in per diem payments. Under 26 CFR § 1.62-1T(e)(4), the legislator is allowed as a deduction a portion of this unreimbursed expense. The amount of the deduction is determined as follows:

- (1) The difference between the \$50 paid and the amount allowable by federal regulation must be allocated between lodging and meals in the same ratio as is set forth in the schedule in 41 CFR Ch. 301 App. A, after subtracting \$2 (representing incidental expenses) from the meals and incidental expenses amount.
- (2) All of the lodging expense and 80% of the meal expense (see 26 USC 274(d)) are deductible, subject to the 2% floor on miscellaneous itemized deductions of 26 USC 67.

A qualifying legislator may receive per diem allowable travel reimbursement for each legislative day, as defined in 26 USC § 187(h)(2). A legislative day is each day the legislature was in session, including any day on which the Legislature was not in session for a period of 4 consecutive days or less or any day when it was not in session but the physical presence of the legislator was formally recorded at a meeting of a committee of the Legislature. During 1993, the Legislature was in session for 131 days--67 in regular session through March 11, and 44 days in regular session and 20 in special session after March 11. Per diem is paid for committee members' attendance at committee meetings held during the interim. Days in Helena on legislative business for which no per diem was paid are totally unreimbursed travel expense days and may be deducted as provided above, except that the base amounts are the daily allowable total for lodging and for meals.

The unreimbursed lodging and meal amounts computed for days in regular and special session are:

Prior to March 12, 1993:

Meals: allowed after subtracting 20%, \$4.43 per day for a total of \$296.86.

Lodging: \$9.46 per day for a total of \$833.92.

After March 11, 1993:

Meals: allowed after subtracting 20%, \$5.28 per day for a total of \$338.36.

Lodging: \$12.39 per day for a total of \$793.04.

WATER POLICY COMMITTEE

Committee to Meet in February...The Water Policy Committee will meet on Monday, February 7 at 9 a.m. in Room 104 of the State Capitol.

Committee to Select Basin for Study...As part of its instream flow study, the Committee will hear from various water user groups regarding their perceptions of dewatering problems in Montana. The Committee will use this information to select a basin for more in-depth study during the interim. The Committee will also hear an update on the April 1994 Public Land Law Conference regarding stream flows.

Late Claims to be Discussed...The Committee will review testimony regarding the late claims bill, SB 310, from the 1993 Legislative Session. The Committee will also review and discuss various options for extending additional forfeiture remission beyond that provided under SB 310, as well as analyze some of the potential impacts of additional remission. The Committee is expected to set the course for completing the late claims study at this meeting.

Other Issues on Agenda...The Committee will also receive reports regarding the low snow pack and the potential for drought this year, as well as a report on North Dakota's weather modification permit application.

For an agenda or more information on these issues, please contact the EQC staff at 444-3742.

STATE HOUSING TASK FORCE

Task Force to Hold First Meeting...The State Housing Task Force will hold its first meeting on Monday, February 14 in Room 437 of the State Capitol, beginning at 10 a.m. The first order of business will be to elect officers.

The Task Force will hear presentations from the Department of Commerce, the Board of Housing, and the Department of Social and Rehabilitation Services on housing assistance programs currently available in Montana. Interested persons and organizations are also invited to address the Task Force on housing issues of concern to them.

Following the presentations, the Task Force will adopt a study plan for the interim.

If you would like to be added to the interested persons' mailing list to receive meeting notices and other information about the housing study, please contact the Legislative Council at 444-3064.

SUBCOMMITTEE ON INSURANCE ISSUES

Subcommittee Selects Study Topic...The Subcommittee on Insurance Issues met on January 7 to select study topics for the remainder of the interim. To assist them in their deliberations, Subcommittee staff prepared a series of issue papers addressing each of the issues identified in the study resolution. After a brief presentation and Subcommittee discussion of each issue, interested persons commented on each issue and offered opinions on whether or not the issue should be pursued by the Subcommittee. After much discussion and deliberation, the Subcommittee decided to pursue the topic of medical malpractice at its next meeting. Staff was directed to work closely with the staff of the Montana Health Care Authority, which is also examining medical malpractice issues, in order to avoid a duplication of effort. The Subcommittee will specifically look at how other states are addressing the issue of medical malpractice and at House Bill No. 346 (died in legislative process) from the 1993 Legislative Session.

To Meet in April...The Subcommittee will meet again in Helena on April 8. The major topic of discussion will be medical malpractice.

ENVIRONMENTAL QUALITY COUNCIL

Council Holds January Meeting...The Environmental Quality Council (EQC) met Friday, January 28. Agenda items included the appointment of a new Council member, Senator Jeff Weldon; election of a new presiding officer; continuation of the SJR 29 nondegradation study with a mitigation panel discussion; an EQC-member tour of the Natural Resources Information System; the continuation of the SJR 34 hazardous waste management study with a working group report; a report on the Regional Renewable Energy Project; an update on Montana Environmental Policy Act implementation; an update on the bull trout issue; and a report on the collaborative energy policy development process.

Hazardous Waste Study Group Meets...The EQC's Hazardous Waste Management Working Group (HWMWG) met on January 21. One of the

tasks of the HWMWG is to "analyze the status and adequacy of the state's hazardous waste management regulatory framework". As a first step toward agreeing upon what is an adequate regulatory framework, the HWMWG discussed criteria for defining the term "adequacy". The working group also heard presentations from DHES on the hazardous waste siting criteria used by other states and by DNRC on the Major Facilities Siting Act. At its next meeting, scheduled for February 28, the HWMWG will continue working on defining the term "adequacy" and on siting issues, as well as hearing presentations from local government officials and small businesses on conditionally exempt small quantity generators of hazardous waste.

For more information on these issues, please contact the EQC staff at 444-3742.

Note...Due to the INTERIM's publishing deadline, more specific information on the EQC meeting on January 28 is not available in this month's INTERIM. Please contact EQC staff, or see next month's INTERIM for more information.

MONTANA SENATE CHANGES

Senator Resigns...Senator Francis Koehnke (D-Townsend) resigned his office on Monday, December 27, 1993. Senator Koehnke served in the House of Representatives from 1983 to 1990 when he was elected to the Montana Senate. Senator Koehnke was Chairman of the Senate Bills and Journals Committee and Vice-Chairman of the Senate Agriculture, Livestock, and Irrigation Committee. The county commissioners from Cascade, Meagher, Broadwater, Wheatland, Golden Valley, and Musselshell Counties have appointed Hershel Robbins of Roundup to succeed Senator Koehnke. Senator Robbins served in the House of Representatives from 1969 to 1971 and from 1975 to 1979. His address is 915 1st Street, Roundup, MT 59072.

Successor to Senator Yellowtail Named...Ramona Howe of Lodge Grass has been appointed to succeed Senator Bill Yellowtail. Senator Howe, a member of the Crow Tribe, served in the House of Representatives from 1983 to 1985. Her address is P.O. Box 352, Lodge Grass, MT 59050.

JOB TRAINING PARTNERSHIP ACT REVIEW COMMITTEE

Committee to Meet February 4...The Job Training Partnership Act Review Committee will meet on Friday, February 4, beginning at 9 a.m. in Room 108 of the State Capitol. The main objective of the meeting will be to learn about Job Training Partnership Act (JTPA) programs in Montana and to begin reviewing the draft versions of the proposed job training plans prepared to date by the private industry councils (PICs) from Montana's two service delivery areas -- the Concentrated Employment Program (CEP) and the Balance of State (BOS).

Committee to Meet Again in March...The Committee will meet again on March 11 to review the draft of the Governor's coordination and special services plan that the State Job Training Coordinating Council (JTCC) is currently developing. The plan provides goals and standards for performance of JTPA programs and provides criteria for coordination of the JTPA programs with other state and local employment, education, and training programs in Montana.

Study Plan Available...Interested parties may request a tentative study plan outlining the staff and committee work schedule for the two meetings. The Job Training Partnership Act Review Committee members include Senator Chris Christiaens, Senator Connye Hager, Representative Fritz Daily, and Representative Harriet Hayne.

Staff Attends Fall Conference...In preparation for staffing this committee, staff attended the Fall 1993 Montana Job Training Conference in Polson, thanks to a waiver of all attendance costs. On January 7 and 8, staff attended the second meeting of the JTCC, where members devoted two days to drafting the governor's job training plan to be reviewed in March by the Job Training Partnership Act Review Committee. At the suggestion of Senator Mignon Waterman, a JTCC member and last interim's presiding officer of the Job Training Partnership Act Review Committee, the group specifically agreed to establish good communications and coordination with the Review Committee.

LEGISLATIVE AUDIT COMMITTEE

Committee Holds January Meeting...The Legislative Audit Committee met January 21 in Room 104 of the State Capitol. The following reports were presented:

CONTRACTED AUDIT REPORTS:

Montana State Senate

An audit for the two fiscal years ending June 30, 1993, was performed under contract by James J. Wosepka, CPA. The report contains no recommendations and an unqualified opinion on the financial schedules.

Montana House of Representatives

An audit for the two fiscal years ending June 30, 1993, was performed under contract by James J. Wosepka, CPA. The report contains no recommendations and an unqualified opinion on the financial schedules.

Environmental Quality Council

An audit for the two fiscal years ending June 30, 1993, was performed under contract by James J. Wosepka, CPA. The report contains no recommendations and an unqualified opinion on the financial schedules.

Legislative Council

An audit for the two fiscal years ending June 30, 1993, was performed under contract by James J. Wosepka, CPA. The report contains no recommendations and an unqualified opinion on the financial schedules.

Legislative Fiscal Analyst

An audit for the two fiscal years ending June 30, 1993, was performed under contract by James J. Wosepka, CPA. The report contains no recommendations and an unqualified opinion on the financial schedules.

Legislative Consumer Counsel

An audit for the two fiscal years ending June 30, 1993, was performed under contract by James J. Wosepka, CPA. The report contains no recommendations and an unqualified opinion on the financial schedules.

Office of the Legislative Auditor

An audit for the two fiscal years ending June 30, 1993, was performed under contract by James J. Wosepka, CPA. The report contains no recommendations and an unqualified opinion on the financial schedules.

FINANCIAL-COMPLIANCE AUDITS:

Department of Transportation

A financial-compliance audit of the Department of Transportation was performed for the two fiscal years ending June 30, 1993. The report contained thirteen recommendations. These recommendations addressed:

1. Improving internal controls related to:
 - a. preventing and detecting duplicate payments;
 - b. supervisory review and approval of transactions;
 - c. improving gross vehicle weight permit procedures;
 - d. restrictive endorsement of checks and timely deposits;
 - e. improving motor fuels tax return procedures;
 - f. preventing and detecting equipment management system input errors; and
 - g. preventing and detecting maintenance management system input errors.
2. Federal issues concerning:
 - a. ensuring equipment usage charges are proper and adequately supported; and
 - b. preventing and detecting federal participation rate input errors.

An unqualified opinion was issued on the financial schedules.

Department of Social and Rehabilitation Services

A financial-compliance audit of the Department of Social and Rehabilitation Services was performed for the two fiscal years ending June 30, 1993. The report contained nine recommendations. Major items discussed include locating missing property, untimely reconciliations of the Federal Special Revenue Fund, and proper recording of revenue and expenditure accruals.

Board of Regents and Commissioner of Higher Education

A financial-compliance audit of the Board of Regents and the Office of Commissioner of Higher Education (Office) financial schedules was performed for the fiscal year ending June 30, 1993. An unqualified opinion on the financial schedules was issued and made five recommendations. Two recommendations addressed areas where the Office can improve on compliance with federal regulations. There were also recommendations addressing summer session tuition and fees, Board of Public Education rent, and timely assessment of the METNET fee.

Montana Arts Council

A financial-compliance audit of the Montana Arts Council was performed for the two fiscal years ending June 30, 1993. The report contained four recommendations. Issues discussed in the report concerned accounting for funding change, compliance with state laws concerning cultural and aesthetic grants, indirect cost recoveries, and the Council's operating plan.

Board of Investments, Department of Commerce

A financial-compliance audit of the Board of Investments was performed for the fiscal year ending June 30, 1993. The report contained three recommendations. These recommendations addressed compliance with state law and accounting policy for proper recording of money held in the Social Security Contributions Account and compliance with state law regarding the investment of those same moneys. Unqualified opinions were issued on the All Other Funds, Montana Common Stock Pool, Montana Convertible Securities Pool, Short-Term Investment Pool, and Enterprise Fund financial statements.

Department of State Lands

A financial-compliance audit of the Department of State Lands was performed for the two fiscal years ending June 30, 1993. The report contained two recommendations. These recommendations addressed proper recording of expenditure abatements and updating ARM's relating to coal and gas leases. An unqualified opinion was issued on the financial schedules.

FINANCIAL AUDIT:Statewide Audit

A summary of the fiscal year 1992-93 Montana Comprehensive Annual Report (CAFR) was presented to the Legislative Audit Committee on January 21. This document contained an unqualified opinion on the General Purpose Financial Statements for fiscal year 1992-93. This opinion means a reader of the financial statements can rely on the reasonableness of the amounts presented.

PERFORMANCE AUDITS:Regulation and Monitoring of Video Gambling Machines, Gambling Control Division, Department of Justice

The performance audit concentrated on the regulation and monitoring of video gambling machines in Montana. The Gambling Control Division at the Department of Justice is responsible for regulating most gambling activities in Montana. The objectives of the audit

included evaluating the effectiveness of the Division's process for ensuring all machines meet state specifications. The audit also evaluated the Division's process for collecting and monitoring tax revenues from video gambling activities in the state. As part of the evaluation, information was collected from other states. Audit work identified various weaknesses in the existing manual system for reporting and collecting tax revenues. A large portion of gambling establishments were found to have paid an incorrect amount of tax on video gambling machines. The manual monitoring system currently used by the Department is the cause of most of the problems found during the review. Therefore, the Department should implement an automated system beginning by presenting a plan for automation to the next Regular Legislative Session.

Automated Systems Development and Maintenance

A performance audit was conducted regarding automated/computer system development and maintenance at the Department of Administration, the Department of Social and Rehabilitation Services, and the Department of Labor and Industry. Overall, it was determined that each of the agencies have system development and system maintenance methodologies in place. Report recommendations include the need for:

- following established methodologies;
- improving management information and staff performance appraisals; and
- improving coordination and information sharing between state agencies regarding systems development and maintenance.

EDP AUDIT:

Information Processing Facility and Central Applications

An EDP audit was performed of the general controls of the state's mainframe computer and the application controls of the state payroll, SBAS, and warrant writing systems. The controls identified and tested are relied upon during financial-compliance, performance, and EDP audits for fiscal year 1992-93. The report contained recommendations to the Department of Administration regarding the garnishment of state employee wages. In addition, eight recommendations were made to the State Auditor to improve controls over the warrant writing application.

Other Business...The next meeting of the Legislative Audit Committee is tentatively scheduled for April 21.

SUBCOMMITTEE ON VETERANS' NEEDS

Subcommittee Prioritizes Issues...The Subcommittee on Veterans' Issues met on January 14 at the State Capitol. The members tentatively prioritized the issues they would like presented at the next meeting in a Issues and Options Report.

The first priority is to pursue health care issues for veterans. The subcategories identified are:

1. the need for additional nursing home beds. With the information received on the Galen renovation option, the members chose not to pursue that as an option, but to look at the VA site selection requirements, incentives to private industry, and other options.
2. The members also want to review the continuum of care options available in the state.

Burial benefits are the second item of priority, especially in the area of the compensation for the shipping and raising of the headstone. The benefit is now \$30 and the approximate cost is \$60 to \$70 in many counties. The statute currently mandates that the county government pay this benefit, so various options will be explored.

The third priority is State Home Loan Programs. The members asked staff to pursue Board of Housing information regarding utilizing existing programs to assist veterans in home loans. This option and others will be explored.

Honoraria for Desert Storm, Desert Shield, Panama, Grenada, and Lebanon is the fourth item of priority.

To Meet Again in April...Staff reports will also be given on nursing care needs and the continuum of care. The next meeting date will be Friday, April 15.

JUDICIAL UNIFICATION AND FINANCE COMMISSION

Commission Changes Meeting Date...The Judicial Unification and Finance Commission (JUFC) has changed its February meeting date from February 3 to February 17 and 18. The change was necessary to accommodate the schedules of nationally-known guest speakers invited to participate in a panel discussion on other states' experiences with court restructuring and financing, and potential applications in Montana.

Commission to Review Survey Results...The Thursday, February 17 meeting will convene at 1 p.m. and will be devoted to reviewing the results of the JUFC's survey of District Judges, County Commission Chairmen, District Court Clerks, and Magistrates. The members will also prepare discussion questions for the guest speakers on Friday.

Will Hear National Speakers...Friday's meeting on February 18 will begin at 9 a.m. and will feature a panel discussion with four national authorities on state court administration and finance:

- Robert Tobin, a senior staff attorney for the National Center for State Courts;
- Harry O. Lawson, an author and professor from the University of Denver Law School;
- Carl Baar, an author and professor from Brock University in Ontario, Canada; and
- Dan Schenk, the Personnel Administrator for South Dakota's unified court system.

Both meetings will be held in Room 325 of the State Capitol (the old Supreme Court Chambers) in Helena.

COMMITTEE ON PUBLIC EMPLOYEES' RETIREMENT SYSTEMS

Committee Holds Organizational Meeting...Senator Don Bianchi was elected chairman and Senator Tom Beck was elected vice-chairman of the Committee on Public Employees' Retirement Systems during the Committee's first meeting on January 21. The Committee is not a traditional interim study committee, but was established by the 53rd Legislature as a decisionmaking body to review and report on retirement proposals prior to the Regular Legislative Session. The objective is to establish fair and consistent public employee retirement policy and to coordinate the myriad of retirement bills that have traditionally confronted lawmakers in the politically charged environment of a regular session.

Committee Adopts Principles...Working to develop guidelines for legislative decisionmaking, the Committee adopted three basic principles:

- pension funding should be a contemporary obligation;

- pension investments should be governed by the "prudent expert rule"; and
- pension benefits should be equitably allocated among beneficiaries.

These principles reflect three of four basic principles adopted in 1985 by the National Conference of State Legislatures.

Committee To Review Proposals...The Committee also discussed what information will need to be in the Committee report on each retirement proposal's policy and fiscal implications. Pursuant to HB 85, the Committee's report and recommendations are to be attached to each of the retirement proposals the Committee reviews.

The Committee directed staff to prepare a questionnaire to solicit proposals. Staff, assisted by the retirement boards, will then prepare a preliminary analysis of each proposal received for review. The Committee will meet again at the call of Chairman Bianchi to formally consider the proposals and develop its reports and final recommendations.

LEGISLATIVE FINANCE COMMITTEE

Special Session Appropriations Report Available...The Office of the Legislative Fiscal Analyst will release the 1993 Special Session Appropriations Report in early February. The report will summarize the fiscal measures adopted by the Special Legislative Session to resolve the general fund imbalance created by the suspension of House Bill 671 by citizen initiative. The Special Session adjourned with a projected general fund balance of \$24.4 million, after adopting \$52.1 million in "budget balancers". The budget balancers included \$48.7 million in expenditure reductions and \$5.4 million in revenue adjustments. The expenditure reductions were allocated as follows:

- \$19.0 million in K-12 education;
- \$12.5 million in human services (primarily Medicaid benefits);
- \$11.8 million in higher education; and
- \$ 3.5 million in other agency budget reductions.

The report also discusses a high probability of a significant deficit to be dealt with by the 1995 Legislature.

THE BACK PAGE

The dream of owning a home is an important element of the American psyche. But this dream is fast fading for many low- and moderate-income families today who find that the costs of purchasing and owning a home are rising faster than their incomes. Federal guidelines define housing as affordable if it consumes no more than 30% of a household's adjusted monthly income. The American Housing Survey of the U.S. Census found that in 1985 four of every five households living below the poverty line lived in housing that cost more than this standard.

The nation's housing problems are mirrored in Montana, albeit to a lesser degree. What is Montana doing to address its housing problems? That is the subject of this month's "Back Page" article.

THE HOUSING CRISIS IN MONTANA

by Connie Erickson

Development of Housing Policy

Decent and affordable housing is an essential element to the quality of American life. President Franklin Roosevelt acknowledged the importance of decent housing to the nation's well-being by initiating public housing programs in 1934 to serve the needs of the poor, the elderly, and others for whom affordable and decent housing was unattainable. The end of World War II and the return of American G.I.s resulted in a severe shortage of adequate housing. The federal Housing Act of 1949 acknowledged this shortage and set forth as its goal "a decent home and a suitable living environment for every American family" as soon as possible.

From the end of World War II to the 1980s, U.S. housing policy was determined by the federal government. State involvement was minimal. Beginning in 1980, the federal commitment to housing fell significantly from \$26.7 billion in 1980 to \$10 billion in 1986. This forced state and local governments and community organizations to subsidize and maintain a larger proportion of affordable housing stock. This change in the housing delivery system has both an upside and a downside. A decrease in federal financial support has left states struggling with how to finance construction and rehabilitation programs to expand the housing supply while trying to address a variety of specific housing needs. However, shifting housing responsibilities to the states allows states to tailor their programs to their specific needs and utilize their own resources to a greater degree.

In 1990, Congress passed and President Bush signed the National Affordable Housing Act, also referred to as the Cranston-Gonzalez Act, that modestly increased funding for rent subsidies, public housing, and elderly and disabled housing. The Act also established the HOME Investment Partnership program, a block-grant program that provides discretionary funds to state and local governments for housing purposes. But the Act also requires a new level of state involvement and commitment to housing rehabilitation and construction. Each state is required to produce a Comprehensive Housing Affordability Strategy (CHAS) in order to qualify for federal HOME and homelessness program funds. The CHAS requires states to identify their housing needs and to develop the strategies necessary to meet those needs. The following information is drawn from the Montana CHAS Five-Year Plan, developed by the MT Department of Commerce, that is currently being reviewed by the Department of Housing and Urban Development.

Housing Problems in Montana

Since 1990, the cost of housing in Montana has risen dramatically, and affordable housing for moderate- and low-income people has become almost non-existent in many areas of the state. In 1990, there was a 25,000-unit shortage of affordable housing for households earning less than \$15,000 per year. Shortages such as this drive up rents, making housing even less affordable for certain segments of the population. Although there is a demand for lower-cost housing, little, if any, construction of such housing is occurring. The housing that is being constructed tends to be more expensive, or even luxury homes.

An affordable alternative for many Montanans is mobile and manufactured homes. However, restrictive zoning laws in some areas prohibit the location of these types of homes in residential areas.

In addition to availability and affordability, another problem pertains to the structural and physical integrity of the available housing stock. Some of the problems include inadequate electrical wiring, poor insulation, age, sandstone foundations, gas vented chimneys used for wood stoves, and lead-based paint. Some of these problems are correctable, but many homeowners lack the necessary resources, especially many elderly homeowners who constitute the largest group of homeowners in the state. Housing units that stand vacant for long periods of time pose a different rehabilitation problem for homebuyers. The cost of bringing the units up to a liveable standard is often prohibitive.

There is also a need to modify existing housing units to make them accessible to the physically disabled population in order to comply with the Americans with Disabilities Act (ADA). These modifications are often

difficult and expensive and, under the provisions of the ADA, must be removed when the tenant moves. Most disabled people cannot afford to do this, and landlords do not want the inconvenience or cost of constant remodeling.

In addition to the physically disabled, there are other groups in Montana that have special needs linked to the provision of affordable housing. For homeless people, single-parent families, and the elderly, there is a need for supportive services that facilitate independence. These services include such things as day care services and congregate care housing.

Housing Strategy Objectives

Housing needs across Montana are as varied as the landscape itself. In Flathead and Gallatin Counties, the problem is a lack of affordable housing. In the rural areas of the state, communities are faced with an aging housing stock that needs extensive rehabilitation. Therefore, no single approach to solving Montana's housing difficulties will work on a statewide level. The CHAS outlines a series of strategic actions that the State of Montana should take over the next five years to address its housing problems. Some of these strategic actions include:

- promoting capital formation to build an adequate number of affordable housing units;
- increasing the ability of low- and moderate-income households to buy homes;
- increasing resources to finance housing maintenance and improvements;
- increasing the stock of rental units;
- assisting in securing adequate resources to meet needs of persons requiring supportive and transitional services in achieving permanent housing;
- better defining and explaining housing assistance programs; and
- increasing state's ability to respond to requests for technical assistance.

Implementing these strategic actions will require a cooperative effort on the part of federal, state, local, non-profit, and private agencies concerned with the delivery of housing services in Montana.

Montana's resources are limited and cannot adequately address all of the housing needs of low- and moderate-income Montanans. Therefore, each community must evaluate its needs, develop a plan for meeting those needs using the resources available, and then compete with other communities for the necessary funding. Expanding the available housing supply will require creative approaches utilizing public and private resources and good old American ingenuity.



**INTERIM
CALENDAR**

FEBRUARY

February 4, Subcommittee on Workers' Compensation Alternatives, Room 104, Capitol

February 4, Legislative Council, Room 132, Capitol, 9:00 a.m.

February 7, Water Policy Committee, Room 104, Capitol, 9:00 a.m.

February 4, Job Training Partnership Act Review Committee, Room 108, Capitol, 9:00 a.m.

February 14, State Housing Task Force, Room 437, Capitol, 10:00 a.m.

February 17, Judicial Unification and Finance Commission, Room 325, Capitol, 1:00 p.m.

February 18, Judicial Unification and Finance Commission, Room 325, Capitol, 9:00 a.m.

February 21, President's Day, holiday

February 28, EQC's Hazardous Waste Management Working Group, DNRC Director's Conference Room, 9:00 a.m.

MARCH

March 10, Legislative Finance Committee's Subcommittee on Review of Dedicated Revenue Provisions and Statutory Appropriations

March 11, Legislative Finance Committee

March 11, Job Training Partnership Act Review Committee

February 1994

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APRIL

April 8, Subcommittee on Insurance Issues, Room 104

April 15, Subcommittee on Veterans' Needs

April 21, Legislative Audit Committee

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